



STATE OF ARKANSAS
**Department of Finance
and Administration**

OFFICE OF THE ARKANSAS LOTTERY

Post Office Box 3238
Little Rock, Arkansas 72203-3238
Phone: (501) 683-2000
Fax: (501) 683-1878
<http://myarkansaslottery.com>

November 10, 2022

The Honorable Asa Hutchinson
Governor of Arkansas
State Capitol
Little Rock, AR 72201

RE: Monthly Disclosure Reports

Dear Governor Hutchinson:

On behalf of the Arkansas Department of Finance and Administration and the Office of the Arkansas Lottery, pursuant to A.C.A. §§ 23-115-206 and 23-115-302, please accept the attached disclosure reports for the month of October 2022. The reports contain the following information:

1. Contracts Awarded
2. Debt Set-Off Collections
3. Retailer Losses
4. Breakdown of Lottery Sales per County
5. Total Number of Retailers
6. Total Lottery Revenue
7. Prize Disbursements
8. Operating Expenses
9. Net Assets
10. Administrative Expenses
11. Unclaimed Prize Report
12. DFA Office of the Arkansas Lottery Minority-and Female-owned Business Report
13. DFA Office of the Arkansas Lottery Demographics
14. Internal Auditor Reports
15. Instant Ticket Games Released
16. ADHE
17. Lottery Scholarship Trust Account

Please call me if you have any questions or need additional information.

Respectfully submitted,

Jerold Fetzer
Chief Fiscal Officer

Enclosures

cc: Mr. Larry Walther, Secretary of the Department of Finance and Administration



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November 10, 2022

The Honorable Ronald Caldwell, Co-Chair
The Honorable Gary Deffenbaugh, Co-Chair
Arkansas Legislative Council Lottery Oversight Subcommittee
One Capitol Mall Room R-501
Little Rock, AR 72201

RE: Monthly Disclosure Reports

Dear Senator Caldwell and Representative Deffenbaugh:

On behalf of the Arkansas Department of Finance and Administration and the Office of the Arkansas Lottery, pursuant to A.C.A. §§ 23-115-206 and 23-115-302, please accept the attached disclosure reports for the month of October 2022. The reports contain the following information:

1. Contracts Awarded
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Respectfully submitted,

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cc: Mr. Larry Walther, Secretary of the Department of Finance and Administration

**Arkansas Department of Finance and Administration Office of the Arkansas
Lottery**

Term Contracts for Goods and Services

October 1 through October 31, 2022



1. On October 11, 2022, Scientific Games International (SGI) granted the Office of the Arkansas Lottery (OAL) the non-exclusive right in the state of Arkansas to reproduce, use, and make copies of the Property in association with the sale, marketing, advertising, and promotion of scratch-off instant-win lottery games to be conducted by the OAL and identified as AR-716 Scrabble™ Crossword Game. All rights not specifically granted to the OAL are reserved by SGI and/or Licensor. The following information regarding the agreement is provided.

a. Date of Agreement: October 11, 2022.

b. Term of Agreement: the term of this agreement shall commence on the date the Working Papers for the Game are signed and shall expire on the last date for claiming Game Prizes as established by the OAL.

c. Vendor or other parties to the agreement: Scientific Games International

d. Value (cost or savings) projected for this agreement: the base instant game contract price is 1.30% of net sales. There is a price of 1.35% of the prize fund for Points for Prizes Rewards/Merchandise Prizes and Fulfillment. There is also a price of \$4.50 per 1000 tickets for use of the SureMark™ Marking system. The preceding costs are standard for all OAL crossword instant games. There are no additional costs for the use of Scrabble™.

2. On October 28, 2022, Office of Arkansas Lottery (OAL) entered into an agreement with Division of Information Services (DIS) A division of Arkansas Department of Transformation and Shared Services. This agreement will allow OAL support from DIS for our Information Technology Infrastructure.

- a. Date for agreement to start October 18, 2022 expire June 30, 2023.
 - b. DIS will provide end user desktop support for the Agency's Information Technology environment. DIS will bill for services rendered under this agreement. The agency will be billed 8 hours per day for onsite assistance.
 - b. Labor hours, including travel will be billed monthly in no less than 15-minute increments to OAL. Both parties have agreed to a labor estimate of \$40.16 an hour.
3. On October 31, 2022, Office of Arkansas Lottery (OAL) and Meltwater entered into an agreement for the company to provide advertising services for the agency.
- a. Date for agreement to start is November 1, 2022 and expire October 31, 2023.
 - b. Cost for this agreement will be a lump sum payment of \$11,680.00 Dollars.

General Information

This Shared Services Service Request (SR) for Division of Information Systems ("DIS"), a division of Arkansas Department of Transformation and Shared Services to provide the Office of Arkansas Lottery ("Agency"), a division of the Arkansas Department of Finance and Administration, ("Department"), with support of the Agency's Information Technology infrastructure.

DIS will provide end user desktop support for the Agency's Information Technology environment. The level of Agency's Information Technology environment supported by DIS and the Agency has been mutually agreed upon and depicted in x in the Roles and Responsibilities (Table 1) section of this Service Request. Labor hours, including travel will be billed monthly in no less than 15-minute increments to the Agency at the rates defined in the DIS rates table included in this service request. Also, DIS will coordinate with the Agency to provide onsite technical assistance 2 days a week during the absence of the Agency's technician. The agency will be billed 8 hours per day for onsite technical assistance.

DIS will bill account 400850000 for services rendered under this Service Request.

Service Request Number: 2023037

DIS Account Number: 400850000

Start Date: 10/18/2022

End Date: 6/30/2023

Labor Cost Estimate: \$40.16 / Hour

Agency Address: 124 West Capitol Avenue, Suite 1400, Little Rock, AR 72201

Agency Contact: Jerry Fetzer, 501-683-1898, jerry.fetzer@arkansas.gov

DIS Contact: John Wright, 501-683-0473, john.wright@arkansas.gov

NOTE: DIS follows federal guidelines as a cost recovery agency, therefore all cost are estimates based upon information mutually agreed upon between DIS and the Agency at the execution of this document. Cost fluctuations may occur throughout the year. Cost increases and decreases will be passed to the Agency. For cost increases, DIS is required to obtain approval from the Department of Finance and Administration, Joint Budget Committee or Legislative Council and communicate with affected agencies prior to increasing the cost.

Professional Services Overview and Service Objectives

1.1 Professional Services Overview

This SR sets forth the roles and responsibilities (Table 1) of the parties for Professional Services. Professional Services Support is the services and activities required to provide a stable computing environment. The Information Technology Environment includes servers, associated data storage, operating systems, software applications, networking, and telephony. Any tools purchased to carry out the objectives of the Agency's needs will be mutually agreed upon before purchase with the cost passing through to the agency on the next available billing cycle.

1.2 Service Objectives

The following are the key high-level service objectives client expects to achieve through outsourced information technology support service included in this SR.

- Meet Agency business needs for availability of the environment.
- Maintain compliance with industry standards and government regulations
- Provide services that can leverage operational scale and best practices to achieve optimum performance of the environment.
- Adopt a more flexible and variable cost structure versus in house resources.
- Provide ongoing feedback mechanisms to ensure performance meets expectations.

Service Environment

1.3 Scope of the Infrastructure Being Supported

The following sub-sections further describe and scope the professional services to be provided by DIS and the Agency.

1.3.1 Hardware and Software

Hardware considered in scope as part of this service request is depicted in the Environment Support table located in the Roles and Responsibilities section of this document.

Software considered in scope as part of this service request are operating systems, and software applications included in the Microsoft Desktop Suite. Due to the wide range of software applications deployed throughout the State of Arkansas, software applications specific to the Agency are supported by the Agency.

1.3.2 Personnel

Unless otherwise specified and agreed to in writing by the Agency and DIS, DIS will be responsible for providing appropriately skilled staffing to meet all Shared Services Roles and Responsibilities (Table 1). All personnel employed by DIS are required to complete an Arkansas Crime Information Center (ACIC) background check.

Professional Services Service Requirements

This section is designed to cover the Professional Services specific activities and provide roles and responsibilities (Table 1) for each of the commonly used support service functions in today's DIS Shared Services offerings. The roles and responsibilities matrix notes that some of these functions are the responsibility of the Agency unless negotiated otherwise.

NOTE: The agency will not have administrative rights to services where sole support is provided by DIS.

1.4 Professional Services and Roles and Responsibilities

In many situations, clients require more than just the activities performed by DIS. These activities are noted in the Roles and Responsibilities matrix (Table 1) and noted as 'Agency' responsibilities.

Table 1.

Roles and Responsibilities - Professional Services				
Category	Topic	Responsible Party		Comments
DIS Desktop Support		DIS	Agency	
	Active Directory Configuration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Active Directory User Administration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Patches and Supplemental Upgrades	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Microsoft Office Deployment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Microsoft Office Administration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Operating System Licensing	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	End User Desktop Support	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Version Upgrades	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Patches and Supplemental Upgrades	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Agency Specific Applications		DIS	Agency	
	Troubleshooting	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Installation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Support	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Patches and Supplemental Upgrades	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Version Upgrades	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Testing	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Application Upgrade and Database Migration	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Application DBA Related Support	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Change Management (Application/Database)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	User Roles Configuration	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Adherence to Federal/State Rules and Regulations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Data Integrity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

1.5 Professional Services Selected by Agency

DIS and the Agency have mutually agreed on the following areas of Professional Services to be provided by DIS and the Agency. To engage DIS to provide services, a support desk ticket will be entered by the agency providing all known information concerning the Agency issue.

Table 2.

Professional Services		
Description	Yes	No
Project Management	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Network Management	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Host/Server Management and Support	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Data Warehouse	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Dekstop Support	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Security Services	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Professional Services Service Level Targets

This section is designed to cover the Professional Services DIS service level targets

1.6 Professional Services Service Level Targets

Table 3.

Target	Response	Resolve
Priority 1	1 hour	4 hours
Priority 2	4 hours	8 hours
Priority 3	8 hours	16 hours

Priority 1 Calls - are defined as a system down situation. The Agency is unable to use the servers or software, which has a critical impact on Agency operations. No backup/alternative system is available. DIS will work round the clock to resolve the incident. Incidents of this magnitude require the commitment of appropriate customer resources to assist in resolution of the incident. If Agency is unable to commit resources for round the clock assistance in incident resolution, then the incident will be downgraded to Priority 2. Incidents of this magnitude also include a defined escalation / notification process to keep management of both organizations up to date around the clock. Priority 1 incident response times are calculated as "clock hours".

Priority 2 Calls - are defined as operations being severely restricted by the problem with the Agency able to use the servers or software to some extent. Priority 2 incident response times are calculated as "Business hours" (8:00 a.m. - 4:30 p.m.).

Priority 3 Calls - are defined as the Agency has the ability to use the servers or software with some restrictions on the function that is available. These restrictions do have an impact on the Agency's overall operation. Priority 3 incident response times are calculated as "business hours" (8:00 a.m. - 4:30 p.m.).

Professional Services Escalation Contact List

This section is designed to cover the Professional Services problem resolution contact list.

1.7 DIS Professional Services Escalation contact list.

Customer Relationship Management				
Overall account management and proposal of services. Maintains ownership of customer relationship.				
Primary Contact:				
John Wright – Account Manager	O:	501-683-0473	C:	501-844-5289
				John.Wright@arkansas.gov
CRM Escalations:				
Donnie Matthews – Chief Customer Relations Director	O:	501-682-3038	C:	501-554-2616
				Donald.matthews@arkansas.gov
Call Center		Hours of Operation – 24/7		
Resolves service impacting issues. Dispatches field operations as needed.				
DIS Call Center				DIS.callcenter@arkansas.gov
Call Center Escalations:				
Martie Roberts – Call Center Manager	O:	501-682-6387	C:	501-682-6387
				Martie.roberts@arkansas.gov
Server Support Team				
Manages the delivery of service to the customer.				
Primary Contacts:				
Desktop Support Escalations:				
Grant Smith-Shared Services Manager	O:	501-682-1883	C:	501-837-5162
				Grant.smith@arkansas.gov
Donnie Matthews – Chief Customer Relations Director	O:	501-682-3038	C:	501-554-2616
				Donald.matthews@arkansas.gov
Jay Harton-Chief Operating Officer	O:	501-682-3119	C:	501-940-6296
				Jay.harton@arkansas.gov
Billing Inquiries				
Billing questions and problem resolution.				
Billing Inquiries Escalations:				
Kenitra Woolfolk – Billing Manager	O:	501-682-4049		
				DIS.billing.inquiries@arkansas.gov
				Kenitra.woolfolk@arkansas.gov

Signatures

Customer

Eric Hagler

Digitally signed by Eric Hagler
Date: 2022.10.21
09:35:26 -05'00'

Signature

Date

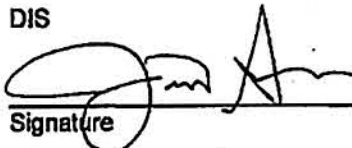
ERIC HAGLER

Printed Name

EXECUTIVE DIRECTOR

Title

DIS



10/28/22

Signature

Date

Jonathan Askins

Printed Name

Director

Title

Meltwater Services

Meltwater Regular

- Users: Access by up to 5 Authorized Users (defined herein) to the Meltwater platform. "Authorized Users" means those specific employees or consultants located in United States that Customer has authorized to use the Meltwater platform solely for Customer's own internal business purposes.
- Searches: 15 Searches. A "Search" is a string of keywords used to search online news or social media sources and find relevant results in the form of articles or posts. Results are displayed in the Meltwater platform and contain a hyperlink to the original source article or post.
- Dashboards: 10 dashboard(s) on the Meltwater platform. Dashboards are customizable and display analytics and search results from any Searches. Each Dashboard can contain up to 9 Widgets.
- Widgets: Access to both Brand Monitoring and Brand Analysis widget groups, including Potential Reach, Sentiment Score, Share of Voice, Advertising Value Equivalency, Top Languages, RSS Feed, Content Streams, Media Exposure, World Heat Map, Trending Themes, Top Publishers and Top Locations widgets.
- Sources: News and social media monitoring. News search results from all sources tracked by Meltwater worldwide.
- Extras: Tagging, translation and distribution of search results.
- Sentiment: Natural Language Processing (NLP) analysis of article sentiment in selected languages.
- Alerts: Twitter Influencer (twitter only), Top reach (news only), Spike detection, Sentiment Shift, and Events (40 companies) are included. Authorized Users can configure Alerts for Searches and Users. Alerts are available in the Meltwater Platform, email reports and/or Mobile App.
- Support: Technical and Consultative support during normal local business hours, for the duration of the subscription.
- Email: Daily e-mail reports and ad-hoc dashboard reports showing search results for Authorized Users.
- Mobile: Access to Meltwater app (available in iOS and Android) to view saved Searches and Search Results.
- Subject to the approval of Twitter, Customer may receive content from Twitter or post content to Twitter ("Twitter Content") pursuant to this Agreement and Customer represents that it has read, understands, and agrees to be bound by Twitter's terms of service located at <https://twitter.com/en/tos>. Meltwater or Twitter may terminate Customer's access to Twitter Content if Meltwater or Twitter reasonably believes that Customer is violating Twitter's terms of service.

Media Relations Platform

- Access to media contacts in the following country: United States
- Ability to research, organize and manage relevant media contacts and sources.
- Proprietary media contact search with relevance rankings.
- Advanced search of media contact database by journalist or publication name, location, beat, role and channel.
- Access for all Authorized Users with current access to Meltwater platform. If purchased as a standalone product without prior access to Meltwater platform, access provided for up to 5 Authorized Users
- Ability to email media outreach (pitches, press releases and media advisories) and track open rates.
- Ability to upload contacts. Customer is responsible for obtaining all required consent from such contacts where necessary.

Premium Social Package

- Social media content package for use with searches and dashboard analytics in Meltwater platform.
- Search results from Twitter, Facebook, Instagram, Forum sites, Product Review sites and website comment sections.
- Search results can be visualized alongside other content types in integrated dashboards.
- Available widgets for visualization include Heat Maps, Media Exposure, Share of Voice, Top Posters, Sentiment Score, Sentiment, Languages, Locations, Sources, Topic Momentum and Trending Themes.
- Sentiment rating for all results using Natural Language Processing. (selected languages only)
- Search results can be exported in PDF, Image or Excel formats.(selected languages only)
- Subject to the approval of Twitter, Customer may receive content from Twitter or post content to Twitter ("Twitter Content") pursuant to this Agreement and Customer represents that it has read, understands, and agrees to be bound by Twitter's terms of service located at <https://twitter.com/en/tos>. Meltwater or Twitter may terminate Customer's access to Twitter Content if Meltwater or Twitter reasonably believes that Customer is violating Twitter's terms of service.

Broadcast Local

- Streaming with monitoring coverage in the state of Arkansas.
- Searchable Broadcast content database from one US state within the Meltwater Platform.
- Clips can be edited and shared with colleagues.
- Broadcast content can be added to widgets for analysis and benchmarking.

Dow Jones Bundle

- Full-text, licensed content from over 5,000 sources globally, powered by Dow Jones Factiva.
- API integration of Factiva content into client's Meltwater Media Intelligence platform.
- Dow Jones content is available for 30 days from the date of publishing.

Global Print Media (1-5 users)

- Print Media coverage from over 7,800 news sources globally.
- RSS Integration of print media feed delivered to Meltwater Platform.
- Access for 1 - 5 users who must be Authorized Users of Meltwater Services.
- Up to 50 readers are included.

Terms of Service:

Meltwater will provide the above Services for the period of time reflected by the start & end dates below.

Product	Start Date	End Date
Meltwater Regular	Nov 01, 2022	Oct 31, 2023
Media Relations Platform	Nov 01, 2022	Oct 31, 2023
Premium Social Package	Nov 01, 2022	Oct 31, 2023
Broadcast Local	Nov 01, 2022	Oct 31, 2023
Dow Jones Bundle	Nov 01, 2022	Oct 31, 2023
Global Print Media (1-5 users)	Nov 01, 2022	Oct 31, 2023

Payment Terms:

Meltwater Services are paid for in advance of the Start Date in a single lump sum. Once this Order Confirmation is signed, an invoice for the price below will be generated and due net14. Except as provided in the Terms of Use, all payment is non-refundable. Discounts and/or special pricing and/or payment terms, if any, may not apply to your renewal term.

(If you are tax exempt please provide your Meltwater representative with a valid current tax exemption form upon signing.)

Price : 11680.00 USD

Terms of Use:

The company identified in the signature block below ("Customer") hereby agrees that its use of any Meltwater Service is governed by the terms set out in this Order Confirmation and the terms and conditions of use, located at <https://www.meltwater.com/terms-of-use/northamerica/> ("Terms") (together the "Agreement"). Any other terms, including those on a purchase order, in a vendor registration application, or part of an RFP, are considered void and shall have no force and effect.

Special Terms:

Any Special Terms below shall supersede Meltwater's standard Terms of Use.

- Invoices under this Agreement will be due within 30 days of invoice date.

By signing this Agreement, you warrant that you have the authority to enter into this Agreement on behalf of Customer and that you have read, understand, and accept all of the terms of this Agreement

Customer

Name and Contact Information:

Arkansas Scholarship Lottery
124 W. Capitol Ave., Suite 1400
Little Rock, Arkansas 72201
United States
Contact: Ashley McNatt

Date Oct 31, 2022
Name J. Eric Hagler
Email eric.hagler@arkansas.gov
Title Executive Director
Signature J. Eric Hagler
J. Eric Hagler (D+ AL, 0011 01, 0001)

Meltwater

Name and Contact Information:

Meltwater News US Inc.
Suite 165, 555 Twin Dolphin Drive,
Redwood City, CA, 94065
United States of America
FTIN number: 20-8289528 (b2b-version)

Date Oct 25, 2022
Name Alyson Harrington

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
RETAIL SALES BY COUNTY
October 1 through October 31, 2022

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT SETTLEMENTS	LOTTO	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE STATE	POWERBALL	TOTAL
ARKANSAS	\$15,108.00	\$9,575.50	\$18,461.00	\$497,139.00	\$5,696.00	\$3,150.00	\$10,379.00	\$2,981.00	\$37,369.00	\$599,858.50
ASHLEY	\$16,619.50	\$15,195.00	\$12,832.00	\$185,597.00	\$2,562.00	\$1,580.00	\$6,061.00	\$2,054.00	\$21,975.00	\$284,475.50
BAXTER	\$3,613.50	\$2,668.00	\$17,981.00	\$475,322.00	\$8,396.00	\$8,478.00	\$22,070.00	\$10,760.00	\$89,978.00	\$639,266.50
BENTON	\$10,076.00	\$3,759.50	\$30,267.00	\$1,419,787.00	\$30,326.00	\$21,836.00	\$101,719.00	\$24,043.00	\$415,063.00	\$2,056,876.50
BOONE	\$1,962.50	\$4,542.50	\$24,381.00	\$465,947.00	\$5,816.00	\$2,724.00	\$17,307.00	\$4,347.00	\$66,825.00	\$593,852.00
BRADELEY	\$4,360.00	\$4,686.00	\$2,175.00	\$167,128.00	\$2,078.00	\$1,230.00	\$3,672.00	\$1,573.00	\$12,167.00	\$199,069.00
CALHOUN	\$3,377.50	\$429.00	\$1,377.00	\$44,428.00	\$450.00	\$460.00	\$883.00	\$475.00	\$4,215.00	\$56,094.50
CARROLL	\$356.00	\$545.50	\$12,571.00	\$282,679.00	\$3,356.00	\$2,524.00	\$10,122.00	\$3,083.00	\$40,631.00	\$355,867.50
CHICOT	\$8,584.00	\$3,135.00	\$4,329.00	\$167,356.00	\$2,782.00	\$4,646.00	\$8,128.00	\$2,121.00	\$27,479.00	\$228,562.00
CLARK	\$2,795.00	\$177.50	\$32,360.00	\$423,098.00	\$8,740.00	\$3,760.00	\$10,895.00	\$4,563.00	\$41,224.00	\$528,152.50
CLAY	\$751.00	\$62.00	\$3,550.00	\$120,902.00	\$1,546.00	\$1,768.00	\$3,820.00	\$1,730.00	\$13,562.00	\$147,691.00
CLEBURNE	\$2,264.00	\$651.50	\$47,072.00	\$353,663.00	\$7,878.00	\$6,922.00	\$15,064.00	\$8,237.00	\$53,898.00	\$495,649.50
CLEVELAND	\$725.00	\$355.00	\$870.00	\$52,663.00	\$780.00	\$1,276.00	\$1,483.00	\$465.00	\$5,818.00	\$64,435.00
COLUMBIA	\$18,195.00	\$9,016.00	\$8,505.00	\$334,604.00	\$3,086.00	\$3,470.00	\$8,181.00	\$2,938.00	\$32,813.00	\$420,808.00
CONWAY	\$6,634.00	\$2,217.00	\$13,370.00	\$440,597.00	\$11,458.00	\$4,296.00	\$12,053.00	\$7,251.00	\$45,831.00	\$543,707.00
CRAIGHEAD	\$12,697.50	\$9,890.00	\$51,055.00	\$1,680,976.00	\$17,640.00	\$11,230.00	\$46,129.00	\$12,410.00	\$183,550.00	\$2,025,577.50
CRAWFORD	\$3,997.50	\$695.00	\$12,355.00	\$370,980.00	\$9,476.00	\$6,218.00	\$22,683.00	\$7,596.00	\$85,459.00	\$519,459.50
CRITTENDEN	\$54,957.50	\$21,834.50	\$21,125.00	\$685,678.00	\$7,112.00	\$7,126.00	\$34,497.00	\$8,061.00	\$129,550.00	\$969,941.00
CROSS	\$7,515.50	\$3,611.50	\$8,878.00	\$363,541.00	\$3,800.00	\$1,256.00	\$6,341.00	\$1,610.00	\$28,466.00	\$425,019.00
DALLAS	\$2,952.00	\$1,162.50	\$6,492.00	\$192,123.00	\$2,416.00	\$658.00	\$3,634.00	\$1,689.00	\$13,202.00	\$224,328.50
DESHA	\$2,709.50	\$1,610.00	\$3,240.00	\$205,875.00	\$2,406.00	\$1,208.00	\$6,246.00	\$2,727.00	\$20,346.00	\$246,367.50
DREW	\$4,293.00	\$2,536.50	\$13,039.00	\$368,188.00	\$4,300.00	\$3,574.00	\$8,755.00	\$3,340.00	\$28,607.00	\$436,632.50
FAULKNER	\$13,250.50	\$5,232.00	\$51,404.00	\$1,263,667.00	\$31,100.00	\$15,544.00	\$46,306.00	\$20,432.00	\$183,015.00	\$1,631,950.50
FRANKLIN	\$818.00	\$163.00	\$18,898.00	\$202,611.00	\$4,452.00	\$1,242.00	\$9,383.00	\$3,259.00	\$28,620.00	\$269,446.00
FULTON	\$238.50	\$968.50	\$4,289.00	\$58,566.00	\$1,216.00	\$772.00	\$3,203.00	\$897.00	\$11,605.00	\$81,755.00
GARLAND	\$16,775.50	\$6,582.00	\$32,797.00	\$1,086,202.00	\$33,162.00	\$17,294.00	\$63,252.00	\$31,506.00	\$242,287.00	\$1,529,857.50
GRANT	\$1,219.50	\$810.00	\$6,599.00	\$159,183.00	\$4,054.00	\$2,738.00	\$6,955.00	\$3,111.00	\$28,161.00	\$212,830.50
GREENE	\$854.50	\$658.50	\$19,022.00	\$632,150.00	\$5,980.00	\$3,688.00	\$18,286.00	\$5,600.00	\$68,055.00	\$754,294.00
HEMPSTEAD	\$67,332.50	\$22,993.50	\$11,943.00	\$351,836.00	\$3,400.00	\$3,018.00	\$9,007.00	\$2,671.00	\$32,078.00	\$504,279.00
HOT SPRING	\$1,137.00	\$454.00	\$19,550.00	\$382,901.00	\$7,104.00	\$1,298.00	\$1,793.00	\$5,225.00	\$41,689.00	\$474,389.00
HOWARD	\$58,968.50	\$11,957.00	\$12,154.00	\$238,439.00	\$2,646.00	\$4,028.00	\$15,426.00	\$5,320.00	\$59,627.00	\$350,718.50
INDEPENDENCE	\$4,035.00	\$2,286.50	\$54,623.00	\$592,967.00	\$7,274.00	\$1,793.00	\$4,567.00	\$1,889.00	\$15,481.00	\$387,762.50
IZARD	\$68.50	\$40.00	\$8,774.00	\$114,111.00	\$1,594.00	\$890.00	\$4,667.00	\$3,169.00	\$27,820.00	\$147,414.50
JACKSON	\$16,806.50	\$11,312.00	\$20,042.00	\$295,350.00	\$4,738.00	\$1,786.00	\$6,739.00	\$3,169.00	\$15,481.00	\$387,762.50
JEFFERSON	\$57,092.00	\$23,152.00	\$34,422.00	\$1,266,927.00	\$29,952.00	\$19,378.00	\$41,614.00	\$19,083.00	\$153,120.00	\$1,664,740.00
JOHNSON	\$1,200.50	\$2,736.50	\$6,382.00	\$277,842.00	\$3,652.00	\$2,600.00	\$9,920.00	\$3,698.00	\$31,094.00	\$339,125.00
LAFAETTE	\$16,695.50	\$3,893.50	\$2,140.00	\$85,749.00	\$472.00	\$706.00	\$2,335.00	\$435.00	\$7,156.00	\$119,582.00
LAWRENCE	\$699.00	\$177.50	\$13,678.00	\$306,111.00	\$2,450.00	\$2,522.00	\$6,257.00	\$1,906.00	\$26,280.00	\$360,098.50
LEE	\$5,192.50	\$12,155.50	\$1,626.00	\$83,196.00	\$896.00	\$1,708.00	\$2,667.00	\$541.00	\$11,120.00	\$119,092.00
LINCOLN	\$488.00	\$519.50	\$2,199.00	\$100,809.00	\$1,940.00	\$1,576.00	\$3,069.00	\$1,725.00	\$13,133.00	\$125,458.50
LITTLE RIVER	\$6,452.50	\$3,879.00	\$6,170.00	\$137,170.00	\$1,270.00	\$768.00	\$5,333.00	\$1,293.00	\$16,633.00	\$178,968.50
LOGAN	\$347.00	\$73.50	\$14,514.00	\$224,484.00	\$4,568.00	\$2,050.00	\$7,702.00	\$3,339.00	\$28,827.00	\$285,904.50
LONOKE	\$12,519.00	\$11,678.50	\$55,297.00	\$1,043,105.00	\$22,406.00	\$9,960.00	\$38,811.00	\$15,823.00	\$145,389.00	\$1,354,988.50
MADISON	\$149.50	\$496.50	\$2,101.00	\$93,714.00	\$2,400.00	\$1,354.00	\$7,005.00	\$3,978.00	\$20,752.00	\$138,147.00
MARION	\$6,221.00	\$1,844.00	\$10,014.00	\$206,393.00	\$3,122.00	\$2,728.00	\$7,005.00	\$3,978.00	\$25,705.00	\$267,010.00
MILLER	\$34,235.50	\$10,887.50	\$19,818.00	\$565,362.00	\$5,168.00	\$7,934.00	\$19,053.00	\$5,951.00	\$62,394.00	\$730,803.00
MISSISSIPPI	\$61,250.00	\$24,373.50	\$19,920.00	\$737,169.00	\$3,858.00	\$2,992.00	\$16,925.00	\$3,341.00	\$64,450.00	\$934,278.50

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
RETAIL SALES BY COUNTY
October 1 through October 31, 2022

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT SETTLEMENTS	LOTTO	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE STATE	POWERBALL	TOTAL
MONROE	\$31,432.50	\$15,182.50	\$30,598.00	\$207,212.00	\$3,490.00	\$1,500.00	\$6,506.00	\$1,923.00	\$23,638.00	\$321,482.00
MONTGOMERY	\$297.00	\$285.00	\$3,076.00	\$35,342.00	\$1,308.00	\$482.00	\$2,497.00	\$656.00	\$8,686.00	\$52,629.00
NEVADA	\$4,413.50	\$2,179.50	\$2,027.00	\$170,101.00	\$1,188.00	\$1,022.00	\$4,163.00	\$918.00	\$13,478.00	\$199,490.00
NEWTON	\$100.00	\$13.00	\$2,172.00	\$35,092.00	\$388.00	\$244.00	\$1,632.00	\$672.00	\$5,161.00	\$45,474.00
OUACHITA	\$17,229.50	\$7,242.50	\$19,352.00	\$603,756.00	\$8,182.00	\$4,624.00	\$10,706.00	\$4,354.00	\$39,086.00	\$714,532.00
PERRY	\$1,259.50	\$609.50	\$4,358.00	\$104,137.00	\$2,780.00	\$1,372.00	\$3,845.00	\$2,006.00	\$13,852.00	\$134,219.00
PHILLIPS	\$15,834.50	\$5,842.50	\$3,517.00	\$195,716.00	\$2,654.00	\$2,440.00	\$8,750.00	\$2,839.00	\$32,359.00	\$269,952.00
PIKE	\$262.50	\$156.00	\$6,463.00	\$134,290.00	\$3,924.00	\$1,356.00	\$4,480.00	\$2,050.00	\$16,141.00	\$169,122.50
POINSETT	\$4,504.00	\$990.00	\$21,902.00	\$514,680.00	\$4,124.00	\$2,034.00	\$10,018.00	\$2,897.00	\$44,371.00	\$605,520.00
POLK	\$1,519.00	\$154.00	\$10,286.00	\$155,317.00	\$5,006.00	\$2,326.00	\$2,326.00	\$3,435.00	\$27,757.00	\$213,676.00
POPE	\$2,959.50	\$917.50	\$21,568.00	\$814,309.00	\$15,486.00	\$8,626.00	\$32,008.00	\$13,360.00	\$119,491.00	\$1,028,725.00
PRAIRIE	\$2,126.00	\$953.00	\$5,091.00	\$171,508.00	\$1,870.00	\$810.00	\$3,710.00	\$1,178.00	\$13,385.00	\$200,631.00
PULASKI	\$193,209.50	\$152,710.00	\$247,327.00	\$6,782,892.00	\$228,874.00	\$217,986.00	\$387,141.00	\$188,146.00	\$1,375,400.00	\$9,770,685.50
RANDOLPH	\$369.00	\$151.50	\$11,111.00	\$182,604.00	\$2,502.00	\$2,944.00	\$6,949.00	\$1,988.00	\$24,703.00	\$233,321.50
SAINT FRANCIS	\$22,877.50	\$13,508.00	\$4,756.00	\$308,903.00	\$3,310.00	\$3,094.00	\$11,328.00	\$2,584.00	\$44,753.00	\$415,113.50
SALINE	\$26,926.00	\$7,797.00	\$52,189.00	\$1,222,040.00	\$31,822.00	\$20,010.00	\$50,517.00	\$24,044.00	\$191,826.00	\$1,627,171.00
SCOTT	\$305.50	\$94.50	\$3,621.00	\$76,642.00	\$1,828.00	\$820.00	\$4,219.00	\$1,120.00	\$13,844.00	\$102,494.00
SEARCY	\$64.00	\$137.00	\$3,999.00	\$87,411.00	\$1,734.00	\$756.00	\$3,671.00	\$1,154.00	\$11,438.00	\$110,364.00
SEBASTIAN	\$13,055.00	\$4,459.00	\$23,795.00	\$930,630.00	\$21,972.00	\$17,922.00	\$56,531.00	\$21,086.00	\$214,227.00	\$1,303,677.00
SEVIER	\$4,901.50	\$380.00	\$4,953.00	\$182,933.00	\$1,998.00	\$1,688.00	\$5,901.00	\$2,069.00	\$18,673.00	\$223,496.50
SHARP	\$1,139.50	\$215.00	\$17,421.00	\$337,024.00	\$4,012.00	\$2,576.00	\$11,815.00	\$4,730.00	\$47,193.00	\$426,125.50
STONE	\$840.00	\$91.00	\$5,188.00	\$90,958.00	\$1,922.00	\$814.00	\$4,267.00	\$2,629.00	\$14,984.00	\$121,693.00
UNION	\$81,262.00	\$37,099.00	\$34,434.00	\$919,036.00	\$6,090.00	\$5,970.00	\$18,174.00	\$7,132.00	\$66,948.00	\$1,176,145.00
VAN BUREN	\$1,007.50	\$1,016.50	\$10,292.00	\$221,399.00	\$5,118.00	\$3,222.00	\$8,426.00	\$4,597.00	\$33,226.00	\$288,304.00
WASHINGTON	\$18,707.00	\$9,291.50	\$39,812.00	\$1,709,952.00	\$33,476.00	\$24,920.00	\$91,259.00	\$30,720.00	\$349,183.00	\$2,307,320.50
WHITE	\$8,737.50	\$3,208.50	\$55,022.00	\$973,635.00	\$16,652.00	\$8,540.00	\$29,665.00	\$11,333.00	\$117,513.00	\$1,224,306.00
WOODRUFF	\$2,219.50	\$1,326.00	\$6,146.00	\$140,596.00	\$1,410.00	\$646.00	\$3,623.00	\$1,064.00	\$11,688.00	\$168,718.50
YELL	\$238.50	\$583.50	\$4,609.00	\$246,637.00	\$4,494.00	\$1,650.00	\$7,183.00	\$2,680.00	\$26,220.00	\$294,295.00

GRAND TOTALS	*Cash 3	*Cash 4	*Fast Play	*Instant Settlements	*Lotto	*Lucky for Life	*Mega Millions	*Natural State Jackpot	*Powerball	*Total Sales
	\$1,026,387.00	\$544,812.00	\$1,449,746.00	\$37,359,039.00	\$745,588.00	\$552,184.00	\$1,526,522.00	\$604,752.00	\$5,679,823.00	\$49,488,853.00

Department of Finance& Administration
Office of the Arkansas Lottery
Retailer Loss/Debt Set-Off/ Income Tax
October 2022

As of 10/31/2022

Retailer losses \$0

Arkansas Debt Set-Off	Oct-22	Total Since Inception
Department of Finance and Administration	\$ 3,000.00	\$ 1,612,756.00
Office of Child Support Enforcement	\$ 2,792.00	\$ 676,000.00
Total Debt Set-Off	\$ 5,792.00	\$ 2,288,756.00

Income Taxes Withheld	Oct-22	Total Since Inception
Federal	\$ 422,004.00	\$ 124,498,140.00
State	\$ 89,132.00	\$ 34,216,730.00
Total Income Taxes Withheld	\$ 511,136.00	\$ 158,714,870.00

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Net Position
October 31, 2022

ASSETS

Current assets:

Restricted assets:	
Cash and cash equivalents	\$ 203,114,029.23
Accounts receivable	17,777,062.40
Prepaid items	1,031,322.40
Total current assets	<u>221,922,414.03</u>

Non-current assets:

Restricted assets:	
Cash and cash equivalents	20,558,280.68
Deposits with Multi-State Lottery Association	2,036,420.30
Capital assets (Net of accumulated depreciation)	820,682.11
Right to use assets-net	1,042,021.79
Total non-current assets	<u>24,457,404.88</u>

Total assets	<u>246,379,818.91</u>
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Deferred outflows of resources:

Related to pension	745,414.27
Related to OPEB	504,192.38
Total deferred outflows of resources	<u>1,249,606.65</u>

Total assets and deferred outflows of resources	<u>\$ 247,629,425.56</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 186,382.36
Prizes payable	26,152,152.30
Accrued and other liabilities	2,255,602.01
Due to other funds of the State	549,663.70
Due to Lottery Scholarship Trust Account	198,977,271.15
Lease Liability	259,870.17
Compensated absences	444,106.99
OPEB Obligation	98,210.89
Unearned revenue	419,426.83
Total current liabilities	<u>229,342,686.40</u>

Long-Term liabilities:

Net other post employment benefits	2,225,344.96
Net pension liability	1,476,746.00
Lease Liability	797,810.64
Total long-term liabilities	<u>4,499,901.60</u>

Total liabilities	<u>233,842,588.00</u>
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Deferred inflows of resources:

Related to pension	2,794,615.00
Related to OPEB	1,373,783.53
Total deferred inflows of resources	<u>4,168,398.53</u>

Total liabilities and deferred inflows of resources	<u>238,010,986.53</u>
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NET POSITION

Net position:

Invested in capital assets	820,682.11
Restricted for:	
Scholarship shortfall reserve	20,000,000.00
Retailer bond reserve	558,080.68
Deposits with Multi-State Lottery Association	2,036,420.30
Unclaimed prizes reserve	3,748,482.56
Unrestricted (deficit)	<u>(17,545,226.62)</u>
Total net position	<u>9,618,439.03</u>

Total liabilities, deferred inflows of resources and net position	<u>\$ 247,629,425.56</u>
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Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Revenues, Expenses and Change in Net Position
For the Four Months Ended October 31, 2022

	Current month	Year to date
Operating revenues:		
Instant ticket sales	\$ 36,918,370.00	\$ 149,797,742.00
Online ticket sales	12,046,009.50	43,661,476.50
Retailer application, fidelity, bond and service fees	61,653.03	248,120.88
Other revenue	<u>0.00</u>	<u>10.44</u>
Total operating revenues	<u>49,026,032.53</u>	<u>193,707,349.82</u>
Operating expenses:		
Instant game prizes	27,366,285.23	108,914,939.13
Online game prizes	6,551,712.78	23,529,961.33
Retailer commissions	2,744,432.24	10,892,002.38
Gaming contract costs	2,504,540.18	9,614,227.16
Compensation and benefits	460,904.04	1,914,893.89
Marketing, advertising and promotions	502,861.64	2,030,087.00
General and administrative expenses	134,766.64	842,037.91
Services provided by Arkansas Department of Higher Education	125,200.00	419,900.00
Services provided by Arkansas Legislative Audit	13,200.00	52,800.00
Amortization - GASB 87 Leases	90,610.58	90,610.58
Depreciation	<u>35,653.00</u>	<u>143,255.80</u>
Total operating expenses	<u>40,530,166.33</u>	<u>158,444,715.18</u>
Operating income (1)	8,495,866.20	35,262,634.64
Non-operating revenue:		
Interest income	186,621.17	809,735.10
Interest Expense	<u>(5,868.60)</u>	<u>(5,868.60)</u>
Income before transfers	8,676,618.77	36,066,501.14
Transfers to:		
Lottery Scholarship Trust Account	<u>(9,863,209.24)</u>	<u>(36,283,552.62)</u>
Change in net position	<u>\$ (1,186,590.47)</u>	(217,051.48)
Total net position - beginning		9,835,490.51
Total net position - ending		<u>\$ 9,618,439.03</u>

1) Includes all GAAP related accounting items including unclaimed prizes.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Revenues and Expenses Budget Comparisons
For the Four Months Ended October 31, 2022

	CM Actual	%	CM Budget	%	CM Variance	YTD Actual	%	YTD Budget	%	YTD Variance
Operating revenues:										
Instant games	\$ 36,918,370.00	75.30	\$ 34,550,000.00	80.93	\$ 2,368,370.00	\$ 149,797,742.00	77.33	\$ 142,100,000.00	82.66	\$ 7,697,742.00
Online games	12,046,009.50	24.57	8,083,000.00	18.93	3,963,009.50	43,661,476.50	22.54	29,585,000.00	17.21	14,076,476.50
Retailer fees	61,653.03	0.13	57,000.00	0.13	4,653.03	248,120.88	0.13	228,000.00	0.13	20,120.88
Other revenue	-	-	100.00	0.00	(100.00)	10.44	0.00	500.00	0.00	(489.56)
				0.00%						
Total operating revenues	49,026,032.53	100.00	42,690,100.00	100.00	6,335,932.53	193,707,349.82	100.00	171,913,500.00	100.00	21,793,849.82
Operating expenses:										
Instant game prizes	27,366,285.23	55.82	25,008,583.00	58.58	2,357,702.23	108,914,939.13	56.23	102,912,332.00	59.86	6,002,607.13
Online game prizes	6,551,712.78	13.36	4,397,417.00	10.30	2,154,295.78	23,529,961.33	12.15	16,260,668.00	9.46	7,269,293.33
Retailer commissions	2,744,432.24	5.60	2,413,000.00	5.65	331,432.24	10,892,002.38	5.62	9,724,000.00	5.66	1,168,002.38
Gaming contract costs	2,504,540.18	5.11	2,134,000.00	5.00	370,540.18	9,614,227.16	4.96	8,602,000.00	5.00	1,012,227.16
Compensation & benefits	460,904.04	0.94	469,000.00	1.10	(8,095.96)	1,914,893.89	0.99	1,912,000.00	1.11	2,893.89
Marketing, advertising & promotions	502,861.64	1.03	648,000.00	1.52	(145,138.36)	2,030,087.00	1.05	2,754,000.00	1.60	(723,913.00)
General and administrative expenses	134,766.64	0.27	269,000.00	0.63	(134,233.36)	842,037.91	0.43	1,076,000.00	0.63	(233,962.09)
Services provided by other agencies	138,400.00	0.28	92,000.00	0.22	46,400.00	472,700.00	0.24	367,000.00	0.21	105,700.00
Amortization - GASB 87 Leases	90,610.58	0.18	-	-	90,610.58	90,610.58	0.05	-	0.00	90,610.58
Depreciation	35,653.00	0.07	35,000.00	0.08	653.00	143,255.80	0.07	140,000.00	0.08	3,255.80
Total operating expenses	40,530,166.33	82.67	35,466,000.00	83.08	5,064,166.33	158,444,715.18	81.80	143,748,000.00	83.62	14,696,715.18
Operating income	8,495,866.20	17.33	7,224,100.00	16.92	1,271,766.20	35,262,634.64	18.20	28,165,500.00	16.38	7,097,134.64
Non-operating revenue:										
Interest income	186,621.17	0.38	136,000.00	0.32	50,621.17	809,735.10	0.42	539,000.00	0.31	270,735.10
Interest expense	(5,868.60)	(0.01)	-	-	(5,868.60)	(5,868.60)	(0.00)	-	-	(5,868.60)
Income before transfers	\$ 8,676,618.77	17.70	\$ 7,360,100.00	17.24	\$ 1,316,518.77	\$ 36,066,501.14	18.62	\$ 28,704,500.00	16.70	\$ 7,362,001.14

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Net Proceeds Computation to Transfer to Lottery Scholarship Trust
Modified Cash Basis
For the Four Months Ended October 31, 2022**

	Year to date
Operating revenues:	
Instant ticket (Settlements)	\$ 151,487,363.00
Online ticket sales	43,661,476.50
Retailer application, fidelity and service fees	248,120.88
Other revenue	<u>10.44</u>
Total operating revenues	<u>195,396,970.82</u>

Operating expenses:	
Instant game prizes (Settlements)	107,810,429.00
Online game prizes	23,529,961.33
Retailer commissions	10,892,002.38
Gaming contract costs	9,614,227.16
Compensation and benefits	1,914,893.89
Marketing, advertising and promotions	2,030,087.00
General and administrative expenses	842,037.91
Services provided by ADHE	419,900.00
Services provided by Legislative Audit Agency	52,800.00
Amortization - GASB 87 Leases	90,610.58
Current year capital asset cost	0.00
Total operating expenses	157,196,949.25

Change in net proceeds from operations	38,200,021.57
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Non-operating revenue:	
Interest income	809,735.10
Other non-operating income	(5,868.60)
EDUCATION TRUST FUNDING-Current Year	(26,420,343.38)
Less Act 1180 Unclaimed Prizes	(2,748,482.56)
Less current year Bond Reserve Fees	(58,080.68) restricted reserves
Add Bond Funds in excess of \$500,000	0.00 see 23-115-603(a)(5)
Add back Write Off Retailer Bad Debt	0.00
Less current year MUSL Reserves	(1,772.21) see 23-115-103(17) and (19)(A)&(B)
Add OPEB expense in Comp and Benefits	88,000.00

NET PROCEEDS EARNED-Current Month

\$ 9,863,209.24

-Year to Date

\$ 36,283,552.62

	Transfer	Interest	Total
Lottery Scholarship Trust Account	\$ 194,488,959.43	\$ 4,488,311.72	\$ 198,977,271.15
September 2021 funding - 10/15/21	\$ 9,142,317.81	\$ 17,898.41	\$ 9,160,216.22
June 2021 adjustment to funding	\$ (192,215.82)		\$ (192,215.82)
Transfers to ADHE for FY 2022 Concurrent & Workforce Funding 10/8/21	\$ (3,000,000.00)		\$ (3,000,000.00)
October 2021 funding - 11/15/21	\$ 7,744,993.46	\$ 17,156.95	\$ 7,762,150.41
November 2021 funding - 12/15/21	\$ 7,209,024.86	\$ 19,752.98	\$ 7,228,777.84
December 2021 funding - 1/15/22	\$ 7,385,162.18	\$ 20,185.94	\$ 7,405,348.12
January 2022 funding - 2/15/22	\$ 7,741,727.84	\$ 21,088.96	\$ 7,762,816.80
February 2022 funding - 3/15/22	\$ 7,444,508.46	\$ 20,051.05	\$ 7,464,559.51
Transfer to ADHE for FY 2022 Spring Funding 3/4/22	\$ (33,000,000.00)		\$ (33,000,000.00)
March 2022 funding - 4/15/22	\$ 7,384,136.30	\$ 34,227.62	\$ 7,418,363.92
April 2022 funding - 5/15/22	\$ 8,012,114.84	\$ 47,454.08	\$ 8,059,568.92
May 2022 funding - 6/15/22	\$ 7,872,154.05	\$ 114,192.35	\$ 7,986,346.40
Transfer to ADHE for FY 2022 Concurrent Scholarship Funding 6/9/22	\$ (500,000.00)		\$ (500,000.00)
Transfer to ADHE for FY 2022 Workforce Scholarship Funding 6/9/22	\$ (250,000.00)		\$ (250,000.00)
June 2022 funding - 7/15/22	\$ 13,886,610.16	\$ 126,730.86	\$ 14,013,341.02
July 2022 funding - 8/15/22	\$ 12,323,427.00	\$ 142,552.31	\$ 12,465,979.31
August 9, 2022 ADHE Refund of FY 22 unused Scholarship Money	\$ 15,927,228.23		\$ 15,927,228.23
August 2022 funding - 9/15/22	\$ 5,852,986.68	\$ 177,987.60	\$ 6,030,974.28
Transfer to ADHE for FY 2023 Fall Funding 9/23/22	\$ (30,000,000.00)		\$ (30,000,000.00)
September 2022 funding - 10/15/22	\$ 7,719,458.52	\$ 203,931.27	\$ 7,923,389.79
October 2022 funding - 11-15-22	\$ 9,704,387.92	\$ 158,821.32	\$ 9,863,209.24

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Lottery Scholarship Trust Account**

			Fiscal Year June 30, 2022	Fiscal Year June 30, 2023 (YTD Oct 2022)
Beginning Balance			\$ 152,129,833	\$ 192,693,718
Net Proceeds			99,386,657	36,283,553
Transfers to ADHE:	FY22	FY23		
Fall Academic Challenge Scholarships	9/7/21	9/23/22	(38,000,000)	(30,000,000)
Concurrent and Workforce Scholarships	10/8/21		(3,000,000)	
Spring Academic Challenge Scholarships	3/4/22		(33,000,000)	
Concurrent Scholarships	6/9/22		(500,000)	
Workforce Scholarships	6/9/22		(250,000)	
			<u>(74,750,000)</u>	<u>(30,000,000)</u>
Refund of Unused Scholarship Proceeds Requested:				
	FY22			
	8/9/22		<u>15,927,228</u>	<u>-</u>
Ending Balance			<u>\$ 192,693,718</u>	<u>\$ 198,977,271</u>

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Unclaimed Prizes
October 31, 2022

	Monthly	Year to Date
Reserve Balance July 1, 2022		\$1,000,000.00
1. Unclaimed lottery prize money:	\$ 116,641.00	2,748,482.56
2. Expenditures from unclaimed lottery prize money:		
3. Reserved for future prizes, promotion or reserves:	116,641.00	2,748,482.56
4. Less Deposits to net lottery proceeds from unclaimed Lottery prize money:		
Reserve Balance October 31, 2022		\$3,748,482.56

DFA/Office of the Arkansas Lottery
Instant & Fast Play Games
October 2022

Sales for the following instant games began October 4, 2022. No ending dates have been determined for these games.

\$1 BETTY BOOP™¹

\$2 10 Times Lucky

\$5 Hit \$250!

\$10 \$10 Million Cash Spectacular

¹BETTY BOOP™ is a licensed property game. There are no additional costs for this game.

Sales for the following Fast Play games began October 3, 2022. No ending dates have been determined for these games.

\$1 Hunting for Hundreds

\$2 Shopping Spree

Sales for the following Fast Play games began October 31, 2022. No ending dates have been determined for these games.

\$1 Holiday Cash

\$2 Candy Cane Cash

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery**

**ADHE Report for October 1,2022 through October
31,2022.**

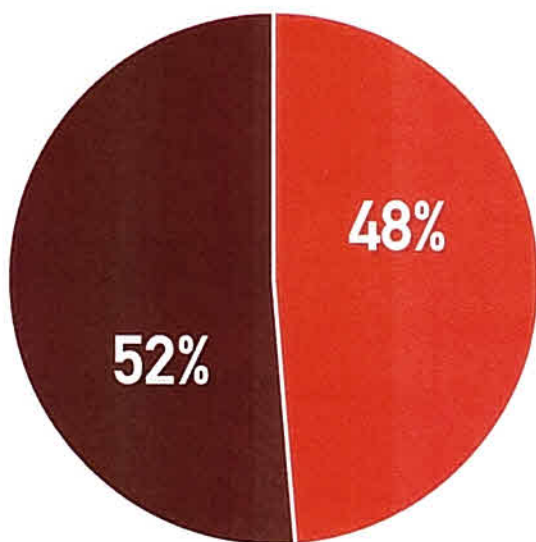


**No request were received for the month of October 2022
from ADHE.**

Minority Report - October 2022			
Office of Arkansas Lottery			
VENDORS		October	FY to Date Total
A-ABSOLUTE MOVING & HAULING	CMBE		\$498.40
ADVANTAGE COMMUNICATIONS	MBE		
AFRICAN AMERICAN PERSPECTIVES	MBE		
AJP FARM, LLC	MBE		
ARKANSAS FLAG AND BANNER	WBE		\$9,575.00
BEST BANNER AND SIGNS			
BSW ADVERTISING	FOB		
BUDS GRAPHICS SALES & SERVICE	MBE		
BYRD ENTERPRISE, INC	NAI		
CCI Of ARKANSAS	CMBE		
CHOICE PROMOTION	MBE		\$66,590.92
CREATIVE GRAPICS, INC	MBE		
CRENSHAW SIGNS	MBE		
DE'LISA BALENTINE	WBE		
DR. B'S WINDSHIELD REPAIR COMPANY	MBE		
GATHRIGHT VAN AND STORAGE			
GODDESS PRODUCTS	CMBE		
GOVERNMENT SUPPLY SERVICES	CMBE	\$0.00	\$297.79
HOG WASH DETAIL DENT & TINT	MBE		
HOLA! ARKANSAS	MBE		
INCLUSION MAGAZINE	MBE		
LA DESIGNS	WBE		
LAHARPE'S OFFICE FURNITURE	WBE		\$1,298.07
LAF PRODUCTION, INC	MBE		
MICKY'S SPECIAL AFFAIRS	MBE		
MR. B'S 2 MOBILE HAND WASH & WAX	MBE		
NORTHEAST ARKANSAS CLEANING SERVICE	WBE		
PARTY PRINTS	CMBE		
PREMIER STAFFING	WBE		
RIDE N SHINE DETAIL	MOB		
RU-MEL & ASSOCIATES, INC	MBE		
S & P SERVICES	MBE		
STAND NEWS	MBE		
THE AMERICAN BANNER PUBLISHING, LLC	MBE		
TRIVIA MARKETING	WBE		
Total		\$0.00	\$78,260.18
MBE = Minority Business Enterprise			
CMBE = Certified Minority Business Enterprise			

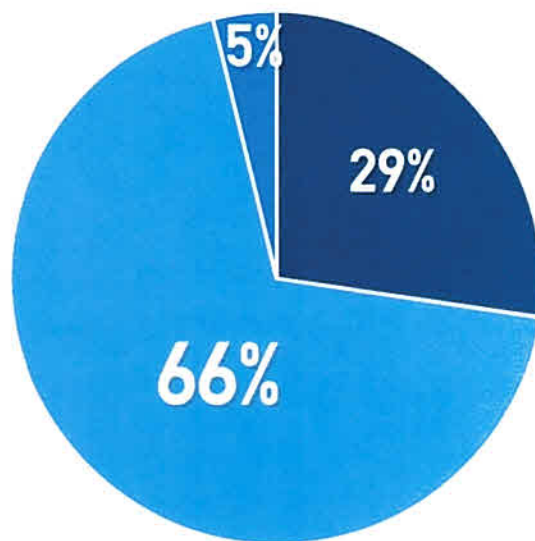
ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
OCTOBER 2022

GENDER



● FEMALE
● MALE

RACE



● BLACK
● CAUCASIAN
● OTHER MINORITIES

▼ TOTAL NUMBER OF EMPLOYEES AS OF OCTOBER 2022: 62 ▼

GENDER

Females - 32

Males - 30

RACE

Black - 18 ----- Female - 11 Male - 7

Caucasian - 41 ----- Female - 20 Male - 21

Other - 3 ----- Female - 1 Male - 2



AR - SGEP

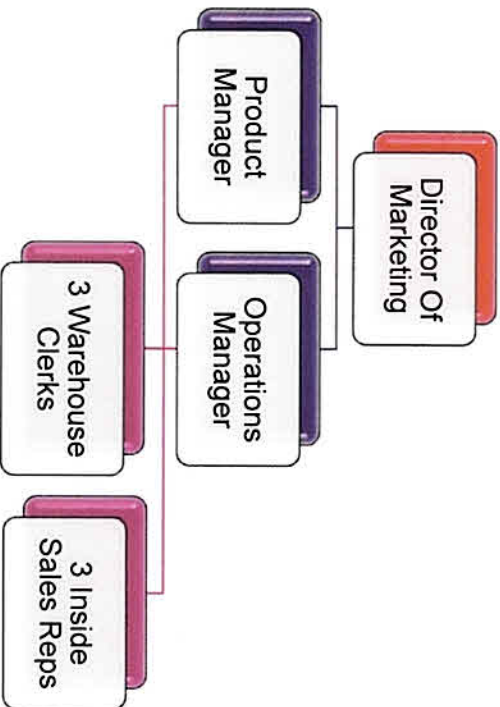
Monthly Reporting
(October 2022)



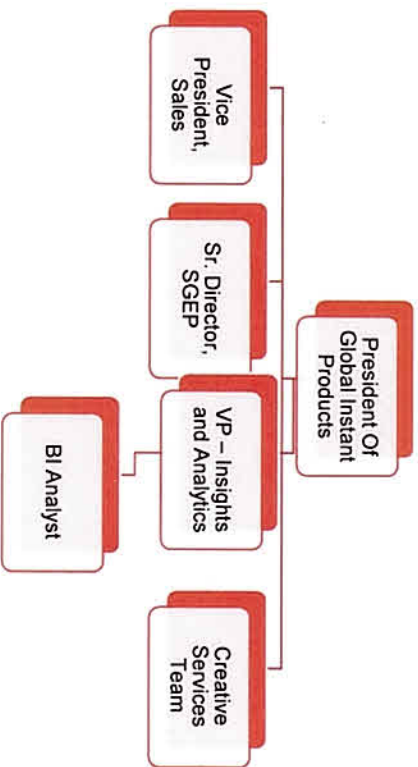
CONFIDENTIAL. ©Scientific Games, LLC. 2022. All rights reserved.

AR Organizational Chart

In-State Team



Corp. Support



10.2022 Arkansas CMBE Report

Vendors	Expedited Transportation	Pure Cleaning Services	Ingage	Actual Monthly Spending Total
Business Type	DBE	MBE - service disabled vet	WBE / Unified DBE	
Jul-22	\$12,548.98	\$1,226.26	\$83,184.32	\$96,959.56
Aug-22	\$4,081.48	\$1,226.26	\$79,220.65	\$84,528.39
Sep-22	\$6,078.48	\$1,226.26	\$68,341.68	\$75,646.42
1st Quarter	\$22,708.94	\$3,678.78	\$230,746.65	\$257,134.37
Oct-22	\$0.00	\$0.00	\$145,978.09	\$145,978.09
Nov-22				\$0.00
Dec-22				\$0.00
2nd Quarter	\$0.00	\$0.00	\$145,978.09	\$145,978.09
Jan-23				\$0.00
Feb-23				\$0.00
Mar-23				\$0.00
3rd Quarter	\$0.00	\$0.00	\$0.00	\$0.00
Apr-23				\$0.00
May-23				\$0.00
Jun-23				\$0.00
4th Quarter	\$0.00	\$0.00	\$0.00	\$0.00
Total to Date	\$22,708.94	\$3,678.78	\$376,724.74	\$403,112.46

October Highlights

- Inside Sales Representatives:

- Produced over 7,843 outbound calls to retailers across the state
- Processed over 8,700 daily orders and 1,924 new game allocations
- Handled over 765 inbound calls where our reps were able to assist retailers and MSR's across the state on various requests.

- Warehouse Department:

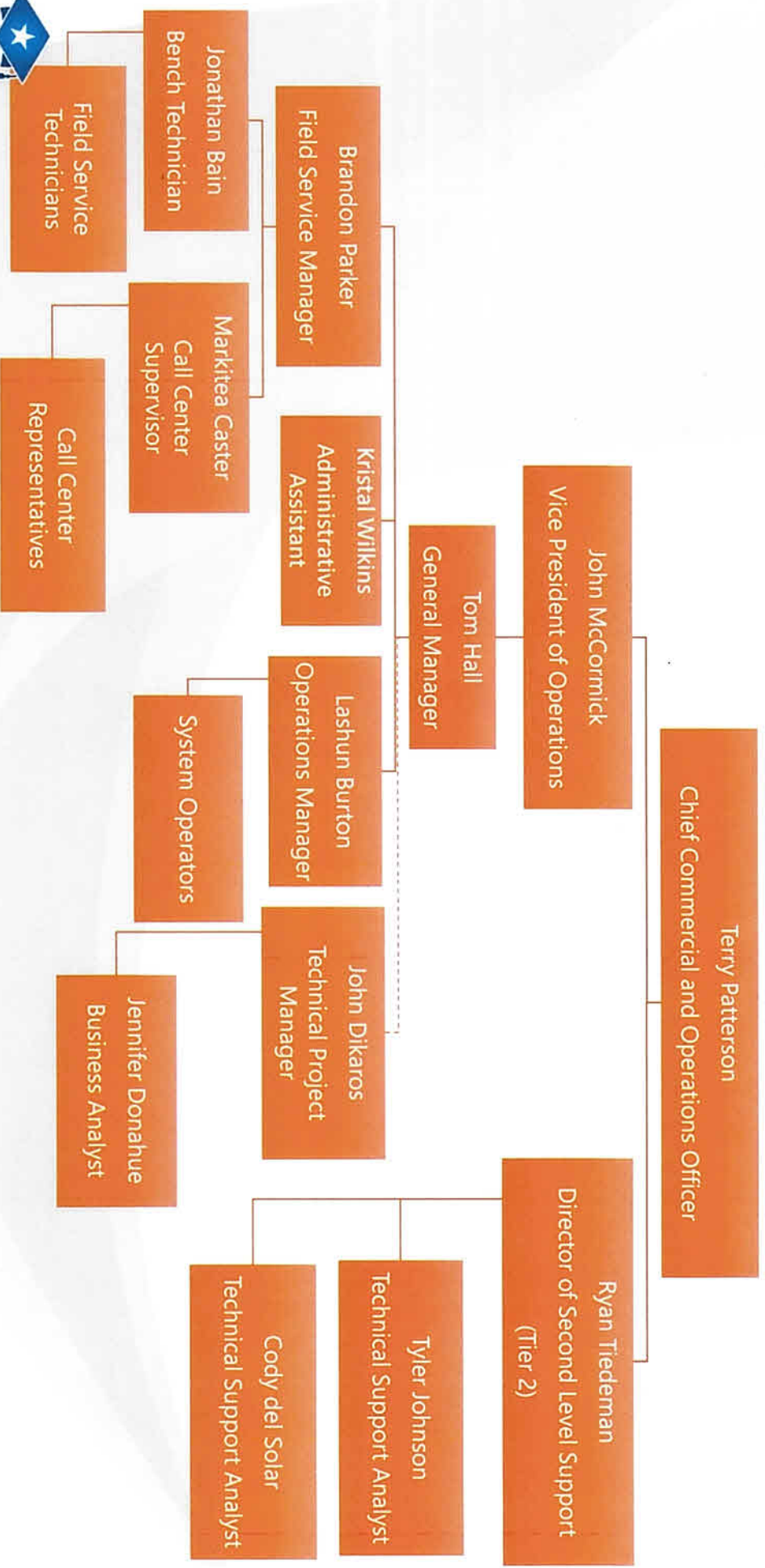
- Picked, packed and shipped over 8,760 packages averaging 12 packs per order
- Processed over 210,102 returns
- Handled incoming & outgoing POS for new Lotto game – Shipped 30 packages to MSRs across the state, which also included packages for November new games. Several incoming POS – arrived at the warehouse and was reported to ASL for inspection.



Intralot AR
Monthly Reporting
October 2022

intralot

AR Organizational Chart



Arkansas Scholarship Lottery Retailer, Terminal Counts, and Vendor Service Highlights

October 2022

Retailer Count by Status	
Active	1926
Renewal	49
Total	1,975

Monthly Highlights

- ▶ 5,040,831 Total transactions processed through the Arkansas Scholarship Lottery System in October.
- ▶ 791 service tickets resolved by Field Service and the Call Center for the month of October.
- ▶ 807 Preventative Maintenance Actions completed by Field Service Technicians for the month of October.

Terminal Count by Type	
Photon	2,082
TVM	125
DreamTouch Smart	85
Total	2,292

Arkansas Scholarship Lottery Minority Firms Report



October 31, 2022

Vendors	J Kelly*	Actual Monthly Spending Total
Business Type	Small, disadvantaged, minority, woman, owned business AEDC ID: 71110	
Cert Expires	10/2023	
Jul-22	\$50,731.68	\$50,731.68
Aug-22	\$50,731.68	\$50,731.68
Sep-22	\$50,731.68	\$50,731.68
1 st Quarter Total to Date	\$152,195.04	\$152,195.04
Oct-22	\$50,731.68	\$50,731.68
Nov-22		
Dec-22		
2 nd Quarter Total to Date	\$50,731.68	\$50,731.68
Jan-23		
Feb-23		
Mar-23		
3 rd Quarter Total to Date	\$0.00	\$0.00
Apr-23		
May-23		
Jun-23		
4 th Quarter Total to Date	\$0.00	\$0.00
Overall Total to Date	\$202,926.72	\$202,926.72

* J. Kelly has 7 fulltime employees working in the Intralot offices, providing Call Center and Retailer Monitoring Services.

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery**

**Audit Report for October 1,2022 through October
31,2022.**



**For the reporting period of October 1st through October
31st we report one audit was completed.**



STATE OF ARKANSAS
Department of Finance and Administration

OFFICE OF THE ARKANSAS LOTTERY
Post Office Box 3238
Little Rock, Arkansas 72203-3238
Phone: (501) 683-2010

William C. Miller, CPA, CGMA
Internal Auditor

Audit: 2023-51 Draw Integrity Audit
Report Distribution: Larry Walther, Secretary
of Finance and Administration

Report Date: October 31, 2023
For Fiscal Year: June 30, 2023

Office of the Arkansas Lottery
Eric Hagler, OAL Executive Director
Angela Springer, Security and Compliance Director
Brent Standridge, Chief Legal Counsel

Introduction

An audit was performed on Cash 3, Cash 4, and Natural State Jackpot Draws that were conducted beginning on August 1, 2022, Midday Draws through August 3, 2022, Midday Draws. The audit was conducted in accordance with the Office of the Arkansas Lottery (OAL) Internal Audit Charter, which governs the types and objectives of engagements performed by the OAL Internal Audit function.

Background

Arkansas Scholarship Lottery Rules of the Arkansas Scholarship Lottery, Section 4 establishes procedures to ensure draw integrity. The Arkansas Scholarship Lottery Continuity of Operations and Disaster Recovery Plan (CODRP), Section 6.4, establishes procedures in the event that the automated draw machines located at OAL headquarters become inoperable.

OAL became aware of a network outage at approximately 9:44 A.M. on August 1, 2022. The network outage was determined to be a result of a damaged fiberoptic cable between OAL headquarters and Intralot. The outage and subsequent lack of connectivity between Intralot and OAL affected numerous systems. Due to the connectivity issue between locations, OAL implemented a portion of the CODRP, that were necessary to conduct business functions.

Per inquiry of Management, Security and Compliance staff were unsure if the automatic draw process would be affected by the network outage. Therefore, Security and Compliance staff traveled to Intralot to observe the Midday Draws on August 1, 2022. Due to the electronic communication issues related to the damaged fiberoptic cable, the automated draw process was unable to execute. It was at this time that Security and Compliance staff concluded that though there was a connectivity issue, the RNG machines themselves were still operational. Therefore, a decision was made for Security and Compliance staff to utilize their Manual Drawing Procedures for In-State Drawings (on-site at Intralot), 15.6 (MDP). OAL IA was notified by Management that these procedures had been used during the outage period at approximately 1:52 P.M. on August 3, 2022.

For the Cash 3 and Cash 4 Midday Draws on August 1, 2022, Security and Compliance had two staff members at Intralot to conduct the MDPs. For the Cash 3, Cash 4, and Natural State Jackpot Evening Draws conducted on August 1, 2022, Security and Compliance had one staff member at Intralot to conduct

the MDPs. For the Cash 3 and Cash 4 Midday Draws on August 2, 2022, Security and Compliance again had one staff member at Intralot to conduct the MDPs.

Per inquiry, connectivity was restored between OAL Headquarters and Intralot on mid-afternoon, August 2, 2022, after the Midday Draw had been conducted. In order to ensure that the automatic draw process would work as designed after the connectivity issue had been resolved, Security and Compliance had one staff member at Intralot for the Cash 3, Cash 4 and Natural State Jackpot Evening Draws on August 2, 2022. However, while the BOS was able to send the electronic draw request to the automated RNG machines located at OAL headquarters, it was unable to receive the electronic draw numbers generated. As a result of the BOS system not receiving the electronic communicated winning numbers drawn by the automatic system, BOS continued sending requests to the RNGs to perform the draws. Based on this continued electronic request by BOS, the RNG machines continued drawing subsequent winning numbers. This event occurred again during the Midday Draw, on August 3, 2022. During both occurrences, the decision was made by Security and Compliance staff to perform both the Evening Draws on August 2, 2022, and the Midday Draws on August 3, 2022, manually using the MDPs.

Purpose, Objectives, and Scope

The overall purpose, objectives, and scope of the audit were as follows:

Purpose

The purpose of this audit was to provide assurance that OAL's Operational Rules and CODRP were followed on Cash 3, Cash 4 and Natural State Jackpot Drawings conducted on August 1, 2022, Midday Draw through Midday Draw, August 3, 2022. The consistent and repeatable processes outlined in OAL's Operational Rules and the CODRP are to ensure the integrity of the draw process.

Objectives

- Ensure that the OAL's Operational Rules were followed for the Cash 3, Cash 4 and Natural State Jackpot Draws that were conducted beginning on the August 1, 2022, Midday Draw through August 3, 2022, Midday Draw.
- Ensure that the CODRP was utilized as designed regarding the Cash 3, Cash 4 and Natural State Jackpot Draws that were conducted beginning on the August 1, 2022, Midday Draw through August 3, 2022.
- Ensure that the manual winning numbers were reported and paid for Cash 3, Cash 4 and Natural State Jackpot Draws that were conducted beginning on the August 1, 2022, Midday Draw through August 3, 2022, Midday Draw.

Scope

The procedures included reviewing Draw Logs for the August 1, 2022, Midday Draw through the August 3, 2022, Midday conducted on the automated RNG machine located at OAL headquarters. Tracing manually drawn winning numbers to Audit Draw Reports as well as BOS Draw Summaries. Procedures also included reviewing OAL's Organizational Rules, CODRP, Department of Finance and Administration's (DFA) Employee Handbook as well as conducted inquiries of OAL, Intralot, MUSL and S2S personnel.

Observations and Recommendations*Observation #1:*

Observation Title: OAL's Operational Rules, Section 4, Compliance

Internal Audit Observation: OAL's Operational Rules, Section 4, Paragraph D, states the following:

"The ALC shall ensure the security and integrity of any manual equipment used to determine a winner or winning combinations. Any manual equipment used by the lottery to determine a winner or winning combinations must be inspected by an independent certified public account or the professional representative of an independent certified public accountancy organization and an employee or agent of the ALC before and after the drawing. The drawing and such inspections must be recorded on video and audio tape. Any drawing using manual equipment must be witnessed by an independent certified public accountant, a professional representative of an independent certified public accountancy organization or the applicable state entity."

Management provided the MDP documentation to IA on August 11, 2022. IA analyzed draw procedures and noted instances where the procedures were not in compliance with OAL's Operational Rules, Section 4, as well as DFA Employee Handbook policies 1.1 and 1.17 regarding the safeguarding of passwords.

Under the previous back-up manual draw procedures, OAL utilized the manual Origin System located at Intralot. OAL had a maintenance contract with SmartPlay International Inc. to maintain the Origin System back-up draw machine located at Intralot through August 31, 2022. As an internal control, the Origin System was in a locked cabinet using a padlock at the Intralot North Little Rock location. An additional internal control in place was that the combination to the padlock was only known by OAL IA. Once the cabinet has been accessed, there was a further internal control of a dual entry for users for further access to the system. First, the Draw Manager would log in using their own unique username and password. Once they had successfully logged on, IA would then log on using their own unique username and password. Once both had successfully logged on, a manual draw was able to be performed.

Per analysis of the provided MDPs, a manual draw using the S2S Trusted Monitor System can also be performed. Unlike the Origin System, physical access to the automated RNG machines is not necessary. The Trusted Monitor System is a web-based system; therefore, Draw Managers can access the manual draw function via a website. While there is not a physical internal control in place with the new system, there is a dual log on function. However, upon further analysis of the MDPs, IA noted that the Auditor username had been assigned a generic password that is listed within the document and can be utilized by the Draw Manager without the IA's knowledge or being present, which is a violation of the DFA Employee Handbook policy 1.1 and 1.17.

The internal control of witnessing the draw by an independent party is essential for the integrity of the draw function. The importance of the dual log on function is to ensure that a representative from the IA department or other independent agency as outlined in OAL's Operational Rules, Section 4, is present for each manual draw. The independent representative is present as an internal control to either prevent or detect; in real time, non-winning numbers from being incorrectly entered into the BOS and further reported, whereas prizes would then be eligible to be processed for payment. Instances of these occurrences are rare, but they have occurred in the history of OAL.

Per events, IA was not informed at the time the compromised fiberoptic cable was discovered by OAL staff. Furthermore, IA was not informed that Security and Compliance Division staff were then scheduled to arrive at Intralot to ensure that the automated draw process would perform as designed. As stated, IA determined that the automated draw process was unable to be conducted as designed, and a decision was made to perform the draws manually. Manual draws continued to be utilized during the scope period without proper notification being given to IA. As a result of IA staff not being notified or present to witness the draws, the draws were not conducted in compliance with OAL's Operational Rules, Section 4.

Effect: Management override of internal controls could impact the integrity of the draw process and result in incorrectly reported winning numbers and incorrectly processed prize payments. Negative impacts on the integrity of the draw process could lead to declined confidence in game play by the public, resulting in reduced sales.

Internal Audit Recommendation: IA recommends the Auditor username within the S2S RNG machines be assigned a unique password by IA. This will enable the OAL Draw Procedures to stay in compliance with DFA Employee Handbook policies 1.1 and 1.17. The dual entry internal control function will also ensure that a representative from IA is present to witness all manual draws. IA recommends that in the event the automated draw process fail to operate as designed, Security and Compliance Division should contact MUSL and request they perform the draws until the issue can be resolved or until the Security and Compliance Division and IA can coordinate to revert to the manual procedures to stay in compliance with OAL's Operational Rules, Section 4.

Observation #2:

Observation Title: Disaster Recovery Plan Utilization

Internal Audit Observation: The CODRP, Section 6.4, Paragraph 2, states the following:

"In the even that ASL's automated draw machines and back-up automated draw machine are or become inoperable or the ASL is unable otherwise to conduct its regularly scheduled drawings, the ASL will use the numbers drawn by the Multi-State Lottery Association (MUSL)."

As discussed in the Background section, Security and Compliance staff determined that the even though there was a connectivity issue preventing the automated draw process, that the S2S RNG machines were operable. Therefore, using the Virtual Private Network (VPN), the onsite staff member accessed

the RNG's to perform manual draws using the MDPs. The MDPs are not referenced in the CODRPs, nor are the instances in which they are to be utilized.

Effect: Lack of clearly stated procedures could lead to confusion by staff resulting in draws being conducted in a way that the integrity of the draw could be brought into question. Negative impacts on the integrity of the draw process could lead to a declined confidence in game play by the public resulting in reduced sales.

Internal Audit Recommendation: As discussed in Observation #1, there was management override of the internal controls, that were built within the S2S RNGs, to perform the draws manually. Per IA's inquiry of MUSL General Counsel, the draw agreement with OAL allows for a draw to be performed by MUSL in any event whereas the integrity of the draw could be called into question. IA recommends that additional language be added to the CODRP of instances where MUSL will be utilized to include any event that OAL's Operational Rules cannot be followed. In these events, IA would recommend that the Security and Compliance Department contact MUSL and request they perform the draws until the issue can be resolved or until the Security and Compliance division and IA can coordinate to revert to the manual draw procedures, with the auditor present, to stay in compliance with OAL's Operational Rules, Section 4. IA further recommends that the instances where the MDPs are going to be utilized be outlined in the language of the CODRP.

Observation #3:

Observation Title: Manual Draw Results

Internal Audit Observation: IA, using the Draw Logs in the S2S Trusted Monitor system, located the Manual Draws performed during the automated draw machines system malfunction. IA agreed the winning numbers to proper entry into the BOS system and being properly placed into payable status for payments of prizes. No exceptions were noted.

Management's Response

Introduction:

Stipulated.

Background:

Stipulated.

- Reservation & Management Note: The "automated" feature of the draw machine was inoperable; the manual function remained operational. Therefore, Section 6.4 of the BCP-DR Plan was not applicable in this instance.

Management's Response to Observation (#1) – "OAL's Operational Rules, Section 4, Compliance":

Management denies a violation of DFA Employee Handbook Policies 1.1 and 1.17 regarding safeguarding of passwords. Policy 1.17 pertains to DFA Password Requirements. Although OAL is a division of DFA, it is not possible for OAL to adhere to the policy as written. OAL is the only DFA division with an automated draw system. The password access and IP addresses to Trusted Monitor System is maintained in the Policies and Procedures of the Security Department. It is only accessible to the Security Team stored on our LaserFiche vault. Our backup draw procedures require us to quickly be able to conduct a manual draw.

Internal Audit (IA) references OAL'S Operational Rules, Section 4, Paragraph D. In short, IA appears to confuse manual equipment to the Manual Draw Procedures (MDP). Manual equipment refers to any other alternative methods of conducting a draw such as a ball system. Security does not use any manual equipment to conduct draws. MDP used by our new automated machines is a command to the RNG's themselves to run a draw. It uses the same method as if it was in automation mode.

IA uses this operational rule to state IA's presence was required for the draws conducted. However, 2019 Arkansas Code 23-115-403 states that:

"(5) *If practicable*, an auditor chosen by the office shall be present at a draw to determine the winners of a draw game to verify the accuracy of the results." [Emphasis added.]

Szrek Auto Draw System does not require an auditor to be present. Based on the circumstances at the time it was not practicable to have IA present. IA has and can audit each draw at any time to verify the accuracy of the results. However, Security has updated our MDP to attempt to contact IA for observation only of any manual draws and all manual draws will be recorded via Microsoft Teams.

IA recommends that a dual password be set for IA to access the Trusted Monitor System. Security feels this request is not needed and unwarranted. The six-member Security Team monitors all in state draws in real time. They have access to switch from auto draw to manual mode, in case of emergencies. IA does not currently audit automated draws in real time. It seems to be a risk to continuity of operations to have them required if they are not currently monitoring in real time.

If IA fails to respond to a manual draw request, the recommendation is that MUSL conduct the draw. Even if MUSL conducted the draw and provided winning numbers, IA would have to be present for the dual entry of the official numbers into BOS. If they are unavailable, then numbers would not be entered therefore MUSL would not have any impact on a successful draw.

The recommendation by IA restricts Security ability to conduct a successful draw in a timely manner and relies on IA to be unnecessarily involved. If IA's recommendation is followed, we run the risk of not being able to conduct and complete the manual draw procedures.

Management does not believe it is necessary to implement procedures whereby a drawing by MUSL is the default action for all issues that may arise in the OAL drawing process. Draws conducted by MUSL should be utilized only in those occasions whereby the OAL draw system is not capable of producing draw results through automated mode *and* manual mode. A decision to utilize MUSL as a last-resort back-up mechanism will be made in 'real time' and are dependent upon the unique circumstances around a particular situation and the level of impairment of internal operability.

Management's Response to Observation (#2) – "Disaster Recovery Plan Utilization":

As noted in the Internal Audit Report, the RNG machines at OAL were never inoperable, hence no activation of CODRP was required in this instance. Rather, operability of OAL's RNG machines was limited to manual mode, whereafter OAL Security appropriately implemented the back-up manual draw procedures.

Regardless, Management will conduct a holistic review of the CODRP ("BCP-DR Plan") as it relates to draw procedures.

Management's Response to Observation (#3) – "Manual Draw Results":

Stipulated.

William C Miller, CPA

William C Miller, Internal Auditor